

IN THE MATTER OF ARBITRATION

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PUBLIC EMPLOYMENT
RELATIONS BOARD

Between	}	
	}	ARBITRATION AWARD
Fort Dodge Community School	}	
District, Employer	}	
	}	Kim Hoogeveen, Ph.D.
And	}	Arbitrator
	}	
Fort Dodge Teacher Associates	}	
Bargaining Unit	}	Issued: June 10, 2003
	}	
	}	

APPEARANCES:

For the Association:

David A. Grosland, ISEA
Betty Fuller, ISEA
Pam Whelchel, TABU President & Chief Negotiator
Judy Stoltenberg, TABU President Elect & Nego. Member
Sharon Moser, TABU Vice Persident & Nego. Member
Marlene Berte, , TABU Nego. Member
Bruce McCallough, TABU Nego. Member

For the District:

D. A. Haggard, Superintendent
Lis Ristau, Dir. Of Special Needs

STATEMENT OF JURISDICTION

This matter proceeded to an Arbitration Hearing pursuant to the statutory impasse procedures established in the Public Employment Relations Act, Chapter 20, Code of Iowa. The undersigned was selected to serve as arbitrator from a list furnished to the parties by the Iowa Public Employment Relations Board.

The parties agreed that there was no dispute as to negotiability of the issues at impasse or the jurisdiction of the single Arbitrator. It was agreed by the parties that the Association would present their case first, with the District to follow, and opportunity for both parties to subsequently rebut. The parties confirmed prior to and during the hearing that the Arbitrator shall have a full fifteen (15) days in which to render a decision.

The arbitration hearing was convened at 4:15 p.m. on May 29, 2003 in the Arey Building in Fort Dodge. Both parties were given a full opportunity to present exhibits and oral arguments in support of their respective positions. The award is based on the evidence, facts, and arguments presented by the parties in context of the criteria specified below.

ARBITRATION CRITERIA

The Iowa Public Employment Relations Act enumerates the criteria that are to be used by an Arbitrator in assessing the reasonableness of the parties' arbitration proposals. The criteria set forth in Section 20.22(9) are:

- a. Past collective bargaining contracts between the parties including the bargaining that led up to such contracts.*
- b. Comparison of wages, hours and conditions of employment of the involved public employees with those of other public employees doing comparable work, giving consideration to factors peculiar to the area and the classifications involved.*

- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments and the effect of such adjustments on the normal standard of services.*
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its business.*
- e. Other relevant factors.*

IMPASSE ITEMS

Two items were submitted for arbitration: Insurance and Wages.

BACKGROUND & FINAL OFFERS

These parties began this current bargaining process with their exchange of initial proposals in January 2003. Following those initial sessions, fourteen articles in the contract had been opened. The parties reached agreement on the majority of these articles before requesting mediation to assist with the remaining issues. Mediation, held on April 11, 2003, failed to resolve all issues and the Association filed a Request for Arbitration on April 16. When a subsequent mediation effort on May 1 was also unsuccessful, the parties proceeded with their exchange of final offers for arbitration.

Only two (2) issues remain at impasse: Insurance and Wages.

INSURANCE:

Through the normal bargaining process, the parties have already agreed to changes in the current coverage with regard to health insurance. The parties have agreed to modify the current health insurance plan by adding four new coverage limitations and increasing the co-pay amount for prescription medications. As all three insurance proposals before me include these agreed to health plan modifications, they will be fully integrated into this award and will occur regardless of which party's position is awarded in this arbitration. Additionally, the District now pays the full cost of single health

insurance and 1/3rd of the cost of dependant coverage. This practice will also continue under all three of the proposals advanced at this arbitration

This bargaining unit is presently covered by a health insurance plan that is a PPO 200, i.e., covered through a Preferred Provider Network with a single deductible of \$200, a family deductible of \$400, and respective maximum out-of-pocket limits set at \$600 and \$800. Neither party, nor the fact-finder, has recommended that the present deductible remain the same, so with this ruling there will be a change to the current deductible.

Position of the Association: The Association proposes **that the current PPO 200 be modified to a PPO 250**. The result will be to raise the single/family deductibles to \$250/500 with the respective out-of-pocket maximums being set at \$750/1000.

Position of the Fact-Finder: **The Fact-Finder proposes to adopt a PPO 500 plan.** The result will be to raise the single/family deductibles to \$500/1000 and the accompanying out-of-pocket limits to \$1000/2000.

Position of the District: The District adopted a position for fact-finding that included a PPO 500 deductible as well as a proposal that District's contribution to the single and family health insurance plan be limited to a hard dollar cap. For purposes of this arbitration, **the District has** elected to drop their request for a cap and has **adopted the position of the Fact-Finder** as specified above

WAGES:

With respect to wages, all three of the proposals before me assume that the current contract's procedures for awarding longevity payments and additional stipends for two specified training categories will continue to be granted (i.e., any staff members within the unit who would next year normally earn longevity pay or a stipend for newly gained training will receive such payments under any of the three wage proposals that can be awarded in this arbitration).

Position of the Association: The Association is requesting an **across-the-board wage increase of \$.25 per hour**. This represents a change from the position they took to fact-finding, i.e., a \$.35 wage increase and additional stipends for two subgroups with additional training within the bargaining unit.

Position of the Fact Finder: The Fact-Finder recommends an **across-the-board wage increase of \$.20 per hour**.

Position of the District: The District is proposing a **0% across-the-board wage increase**.

RATIONALE OF THE PARTIES

Arguments were presented to the Arbitrator via testimony and exhibits. The following constitutes a brief summary of the assertions of the parties.

THE DISTRICT

The District argues that it, as well as the Fort Dodge community in general, is experiencing challenging economic times. The District has recently experienced a steady decline in enrollment, and projections indicate that this trend is likely to continue for at least the intermediate future. As such, the District is scheduled to receive no new money for next school year. In addition, the District's unspent balance has been in a steep decline over the past few years, they are experiencing very high insurance cost increases, and they are already saddled with a relatively high local tax rate. Resultantly, the District has taken aggressive actions to reduce budgeted expenditures next year by more than \$1.5 million. The District additionally notes that insurance premiums are going to increase significantly next year even under their proposal to go to a PPO 500.

With respect to wages, the District shows that members of this bargaining unit are now earning wages that are just slightly below average for their comparison group of "Ten Above and Ten Below." The District presented comparability data showing that

other districts are settling with similar workers for total packages that have averaged at approximately 4%. The District points out that their wage freeze and insurance package as proposed for this arbitration will result in a total package increase of 4.8%. As such, they argue that their position on both wages and insurance is the most reasonable.

THE ASSOCIATION

The Association argues that this bargaining unit has clearly recognized the increasing cost of insurance by offering to accept coverage modifications that will degrade their current insurance package, increase the co-pay for prescription drugs, and increase their single/family deductible from \$200/400 to \$250/500. They further argue that because of the relatively low wages of the employees in this unit, significant insurance increases tend to have a disproportionate impact on the cost of their total package settlement. The Association also notes that the hard dollar cost difference for the District between a PPO 250 and a PPO 500 insurance plan for this unit is only \$17,000.

The Association claims that Fort Dodge associates are not highly paid with respect to their peers in comparable districts and that many zero growth districts are funding settlements of 5% or even greater. The Association presented comparability data that showed wage increases being granted to similar units in other districts, and none of the reported units were receiving a wage freeze. They further note that the District has already announced substantial staff and expenditure reductions that make the Association's salary and total package costs both affordable and the most reasonable.

ANALYSIS AND CONSIDERATIONS

Each of the parties presented their case clearly at the hearing. Although it is not reasonable for the parties to expect a specific response to each and every one of their assertions and exhibits, what follows is my analysis of some key issues and the relative strength and rationale of some arguments that were advanced.

COSTING:

The parties had only minor differences in costing. Below is a summary chart showing the total package percentage costs of the various options available for award:

	PPO 500	PPO 250
\$.0 Wage Increase	5.0%	6.0%
\$.20 Wage Increase	6.7%	7.7%
\$.25 Wage Increase	7.1%	8.1%

As can be seen from the chart above, the possible choices before me range from a total package cost of 5% to just over 8%.

BARGAINING HISTORY:

Bargaining history is relevant to this award. The parties reported identical data with respective hourly increases of \$.30, \$.30, \$.24, \$.22, \$.20, \$.24, \$.50, and \$.24 being made for fiscal years 1996 through 2003. The District reports that package settlements over the past five years have ranged from 4.25% to 6.53%, with the largest increase having resulted from being almost doubled when insurance increases came in less than anticipated.

Another way to consider the settlement history is to compare it to other bargaining units in Fort Dodge. In this instance, the Association is proposing a package settlement that would be substantially higher than any settlement that this unit has received in the past six years and roughly double (in percentage terms) the total settlement package recently awarded to the Teachers.

COMPARABILITY:**General Comments**

I find the *Ten Above and Ten Below* comparison group (used by the District) to be more reasonable than the *Top 25 Schools* (used by the Association and the District) due to Fort Dodge's ranking of 21st by size in the *Top 25 Schools* group. As such, I have relied

more upon the District's *Ten Above and Ten Below* data when possible, but did consider all of the information provided.

Comparability - Insurance

Neither party provided any substantial information with regard to comparability for health insurance coverage or costs.

Comparability – Wages

Employees within this unit are not presently highly compensated in comparison to their peers working in other school districts. Comparability data presented by the District and Association showed the Fort Dodge staff members to presently be below the mid-point with respect to their peers in both comparison groups whether we are taking about starting, average or maximum salary.

The comparability data before me with respect to settlements is limited in three important respects: scope (very few settlements are reported), appropriateness (I suspect that many of the bargaining groups reporting are comprised of quite different job classifications) and accuracy (some of the numbers are suspect or inconsistent between the parties). The District and the Association presented only a handful of settlement reports from other districts and both, under questioning, acknowledged their lack of confidence in the completeness and accuracy of the data provided. I suspect that the comparability data presented by the District, usually provided by mid-level HR personnel via questionnaire or telephone contact, often underestimates of the total package settlements inclusive of all costs (i.e., not inclusive of insurance cost increases). The comparability data gathered by the Association seems a bit more credible, but even some of their percentage increases make little sense. For example, in MFL Marmac we see an across-the-board wage increase of \$.40 reported yet a total package settlement report of only 3.8%. If we assume the average employee in that bargaining group earns \$10.00 per hour, this wage increase in itself would constitute a 4% package. By the time we add on an increase for insurance cost, it seems that the total package would surely be higher than what is reported. The same is true of Postville, where a reported \$.80/hour increase is shown as a total package increase of 7.1%. Of course, it is possible that these other

bargaining groups consist of a very different mix of employees who have a much higher average wage, but that would serve only to reinforce my concern regarding the usefulness of the comparability data supplied.

The Association's comparability data for settlements shows an average increase of \$.36 and no district imposing a wage freeze. Some of these bargaining groups include other types of employees, however, and with a total package average of only 5.07% (including a 13.8% outlier from East Buchanan in their handful of reported settlements), these districts must either have a much different way of funding insurance via more employee contributions or they are not experiencing anything like the premium increase we see in Fort Dodge...or the reported data is inconsistent and/or wrong. A combination of all three is likely. In short, trying to make lemonade out of lemons, the best I can do is to estimate the general settlement trend for a bargaining group such as this to be running somewhere in the neighborhood of 5+%, and given the extremely limited data, I won't even begin to try and ferret out the difference between districts receiving new money and those such as Fort Dodge that are frozen. One thing, however, is clear: **To adopt a salary freeze would be highly unusual and worsen Fort Dodge's already below average salary scale.**

Welfare of the Public and Ability to Pay:

The District provided relevant information regarding the poor economic health of the local Fort Dodge community and the declining financial health of the District, e.g., declining enrollment, lack of allowable growth, and economic stress in Fort Dodge and Webster County. They site numerous enterprises that have either closed or moved out-of-state with a significant corresponding loss of jobs. In addition, they indicate that receipts from the Local Option Sales and Services Tax have dropped significantly for the past two years reflecting a substantial slide in retail sales. Using the *Ten Above and Ten Below* comparison group, Fort Dodge would appear to have a relative high tax levy, i.e., above all but one of the twenty schools in the comparison group. They also appear to have a relatively low amount of taxable personal property wealth per student in the District. Fort Dodge's current valuation per pupil is \$190,283, placing it slightly below the median of

the group and approximately \$20,000 below the average valuation per pupil of the *Ten Above and Ten Below* comparison group. The Association provided no information to refute the District's contentions regarding either economic stress in the community or the more than reasonable tax burden now being borne by local residents to support local education.

The District shows their unspent balance to be relatively lower on a per pupil basis than all but two of the twenty comparison schools in the *Ten Above and Ten Below* comparison group, and projects the unspent balance to fall to less than \$100,000 for this current fiscal year. There exists no doubt that the trend for the unspent balance has been in a fairly steep decline over the past few years while cash balance has stayed between \$5 and \$6 million through the same period. Cash balance does not effect spending authority, however, and I agree with the District's contention that it is prudent management for a district to maintain two to three months of operational expenses in cash balance.

The District appears to be taking proactive and responsible budgetary steps to help assure that it remains on sound financial ground. Of course, the District does not want to use those savings to fund additional salary or insurance costs as the purpose of the cuts is to save expenditures, not simply shift them, while the Association wants a portion of those savings to be used for a solid compensation increase for those remaining workers who may well have to pick up some additional responsibility as other positions are cut.

Given their resources, the Fort Dodge community has aggressively funded their public education system, including the use of a cash reserve levy and an instructional support levy. But it is also true that the District did not make an inability to pay argument and, again, members of this bargaining unit at Fort Dodge are not highly compensated with respect to it their peer group.

DECISIONS AND RATIONALE

There are 111 employees in this bargaining unit. Of that number, 78 take single insurance, 21 receive no health insurance coverage (likely because they do not work enough hours to be eligible), and only 12 elect to take family coverage. (Note: the Fact-Finder may have misunderstood this distribution as he indicated that the 12 taking family coverage were a subset of the 78). I have given this distribution some weight in reaching my decision. To dedicate too many of the available dollars for insurance, at the expense of increasing salary, will penalize the 19% of the bargaining unit who do not participate in the insurance program. Although the added expense for family coverage is certainly a factor for the twelve individuals taking that coverage, it is also true that they constitute less than 11% of this bargaining unit and will save roughly \$120 in annual premium payments with the PPO 500.

Considering all the information and argument presented at the hearing, I believe the following two conclusions are reasonable starting points for my determination of award: 1) The Association's total package proposal representing an 8.1% increase, or the combination of a PPO 250 and a \$.20 increase resulting in a 7.7% total settlement, is simply not reasonable with respect to any available comparability data, and 2) on the basis of both comparability, bargaining history, and equity given the number of workers in this unit who do not take insurance benefits, the District's position of a wage freeze is also not reasonable. Given those two conclusions, there is no remaining combination of wage and insurance decisions before me that would result in an appropriate total package amount if I were to award the Association's insurance position of a PPO 250 – and I lack the authority of the Fact-Finder to compose a unique package I might find to be more reasonable. As such, **I have elected to award the position of the Fact-Finder and the District on the insurance issue.**

Before moving on to the issue of wages, I want to make a some additional comments with respect of my determination on the insurance issue. It is important that members of this bargaining unit understand the following considerations. Were I to award the Association's position on insurance, we would already have a total package

increase of 5% without any adjustment in wages being made. Given that the only alternatives before me for a wage increase are \$.20 per hour by the Fact-Finder and \$.25 per hour by the Association, I believe neither of them are reasonable to be awarded in conjunction with the PPO 250. As such, if I awarded the PPO 250, I would be forced to then award the District's position of a 0% wage increase – a ruling that would lead to a greater disparity between the average wages of the members of this bargaining unit with other employees doing similar work in other districts. I also have a concern regarding how inequitable that ruling would be for the 21 employees within this bargaining unit who do not take, and resultantly do not benefit in any way from, the insurance program. Finally, it is worth noting that were I to grant the PPO 250 in lieu of any wage increase, it would cost each full-time employee of this bargaining unit roughly \$500 in salary next year. The vast majority of employees who take health insurance take the single coverage. With this ruling, their single deductible is going up to \$500 instead of \$250 as they had proposed – a difference of \$250. It would be an exceptionally bad trade off for me to give them the lower deductible (thereby possibly saving them \$250 if they reach their deductible in a given year) but reduce their total compensation by \$500 a year in doing so. In short, a sure \$500 in hand is far better than the possibility of saving \$250.

The Association indicated that they were aware of the financial pressure being placed on the District because of rapidly increasing insurance premiums, and indicated that they were sharing the cost of these increases by voluntarily agreeing to increase their deductibles and co-pays for prescriptions, and limiting four areas of coverage within the health plan. While all of these assertions are accurate; it is interesting to examine how much of the increase in insurance cost is actually being shared by the Association under their position at arbitration. If the single deductible was raised by \$50.00, as proposed by the Association, it would result in 78 employees having an additional annual exposure to \$50.00 in medical costs. Another 12 employees taking family coverage would have an additional exposure of \$100.00 in annual medical costs and would have their annual premiums go up by roughly another \$120. This totals to an additional annual exposure of \$6,540. Of course, the actual expenditure by employees will likely be less as several may well not meet their deductible for a given calendar year. On the District side of the ledger, at the PPO 250, their hard cost will increase by \$102,910. This means for every

\$1.00 in additional expense exposure for employees, the District would be bearing an assured hard cost of an additional \$15.74. There is some cost sharing going on here, but the brunt, i.e., over 93% would fall on the District.

The situation analyzed above is not particular unique. In many bargaining situations the entire insurance increase is borne by the employer. The above analysis may help employees to understand, however, that when insurance costs rise as precipitously as they have for this particular District, the burden of those cost increases often falls heavily upon the employer even when the employees offer to make some coverage modifications.

If the PPO 500 is awarded, the above analysis looks quite different. Additional deductible exposure would be \$23,400 for singles and \$7,200 for those taking family coverage for a total deductible exposure of \$30,600. The District would have an additional hard dollar cost of \$85,384. This results in a ratio of \$2.79 of hard dollar cost for the District for every \$1.00 of deductible exposure for the employees. (I recognize that maximum out-of-pocket limits are also a factor, but few hit those limits, those who do are getting great benefit from the insurance, and the maximum out-of-pocket for single coverage for the PPO 500 is only \$250 higher than that of the PPO 250.)

With this ruling, the deductible for the 12 individuals who are taking family coverage will go to \$1,000 rather than the \$500 proposed by the Association and the maximum out-of-pocket amount will be \$2,000 rather than \$1,000. While these are significant differences, it is also true that those electing to take dependent coverage are benefiting the most from the insurance program, i.e., the District will next year pay \$5,311 to cover the cost of health insurance for employees taking single coverage and \$7,928 (or almost 50% more) for those taking dependent coverage. Once again, this is not unusual, but for employees doing the same job it is worth remembering that the District is contributing substantially more total compensation dollars to those taking family coverage than they are to those taking single or no health insurance coverage.

Employees should recognize that even with this increased deductible the District will be paying substantially more for their insurance; the District needs to recognize that this ruling on insurance also constitutes a substantial increased potential obligation for the employees in this bargaining unit. It is the District's obligation to effectively manage the health insurance program, and with this ruling it should be some time before these

particular employees are expected to accept any further increase in their deductibles. I would strongly recommend to the Association that they actively support any District action or investigation that could lead to more competitive insurance pricing.

With respect to wages I **have elected to award a \$.25 across-the-board wage increase**, i.e., the position of the Association. This will result in a high total package of 7.1%, but this can be seen as reasonable from several respects: 1) the average wages in this unit are low, thereby making percentage increases potentially misleading, e.g., teachers or administrators can receive new compensation packages that are half this in terms of percentage, yet are well more than twice the actual salary increase, 2) the District is getting the PPO 500 and should be willing to pay a few cents more per hour in light of that decision, 3) the additional \$.05 will cost the District roughly \$7,650 – well affordable given the cuts being made to this unit and justifiable given my expectation that some additional tasks may be assigned to the remaining members of this unit, 4) this bargaining unit is not at the mean of its comparison group and a \$.25 increase will, at the very best, hold their relative position, and 5) such a wage increase is consistent with bargaining history in this District.

THE AWARD

Wages: The position of the Association is awarded.

Insurance: The position of the District and Fact-Finder is awarded.

Signed this 10th Day of June 2003.



Kim Hoogeveen, Arbitrator

6404 North 70th Plaza

Omaha, NE 68104

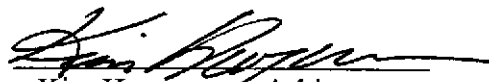
CERTIFICATE OF SERVICE

I certify that on the 10th day of June, 2003, I served the forgoing Arbitration Award upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

David Grosland
206 W. Seventh Street
Carroll, IA 51401

Dr. David Haggard
104 S 17th Street
Fort Dodge, IA 50501

I further certify that on the 10th day of June, 2003, I will submit this Award for filing by mailing it to the Iowa Public Employment Relations Board, 514 East Locust, Suite 202, Des Moines, Iowa 50309-1912.


Kim Hoogeveen, Arbitrator